RESEARCH PLAN PROPOSAL

Role of Microfinance in Women Empowerment through SHGs: A Case Study of Jaipur District

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1. Introduction

Microfinance also known as micro credit, are the services given to low-income individuals or unemployed people so that they get financial services from banks to improve their living standards. Most of these institutions are associated with lending credits to the needy and provide additional services like bank accounts, micro insurance and business and financial pedagogy. Thus microfinance aims at providing opportunity to poor people so that they can become self-reliant and self-sustained.

1.1 Historical Background

The word microfinance was first used in 1846 by Lysander Spooner. He used the word to provide the benefits of small credit to farmers and entrepreneurs so that they can come out of poverty. This concept had a big impact with the Marshall plan after the 2^{nd} world war.

The first Microfinance bank was Grameen Bank of Bangladesh established by Mohammad Yunus in 1976. New innovations took place because of the establishment of Microfinance institutions (MFIs). The unprivileged groups were given loans. It was observed that these people were easily repaying their loans and it was possible to provide financial services to poor people through market based enterprises without subsidy and thus banks could rely on people for repayment.

2. Microfinance in India

Self Employed Women's Association (SEWA) was established in 1974 in Ahmedabad. It was the first largest cooperative bank of India. This bank is administered by a group of women who are self-employed and are also shareholders. They have their own group of women workers who are accountable to the board. Their aim was to give financial assets to poor, empowering women through employment, free the unprivileged group from money lenders, to explore or extend their businesses, education for children, emergencies during health problems and other issues like this.

The bank approves loans to these poor people on the basis of their economic activities and not for their personal use. The bank motivates women to save with these banks with the help of mobilizers who collects their savings from home. The bank usually reviews the income generating ability, repaying ability, employment and financial status of the applicants before giving or sanctioning the loans.

The bank sanctions the loans on the following basis:

- For buying new equipment for business.
- Capital for new ventures.
- Capital for construction like house, store or work space.

The bank helps women to repay their loans that they have borrowed from the money lenders. They gain bargaining skills with their suppliers. After and before borrowing money SEWA encourages saving capital. SEWA plays an important role in providing loans to poor during crises, threats or emergencies.

2.1 Models of Microfinance

The four most important microfinance models prevalent in India are:

Model I - Individuals or group borrowers are financed directly by banks without the intervention/facilitation of any Non-Government Organisation (NGO);

Model II - Borrowers are financed directly with the facilitation extended by formal or informal agencies like Government, Commercial Banks and Microfinance Institutions (MFIs) like NGOs, Non Bank Financial Intermediaries and Co-operative Societies;

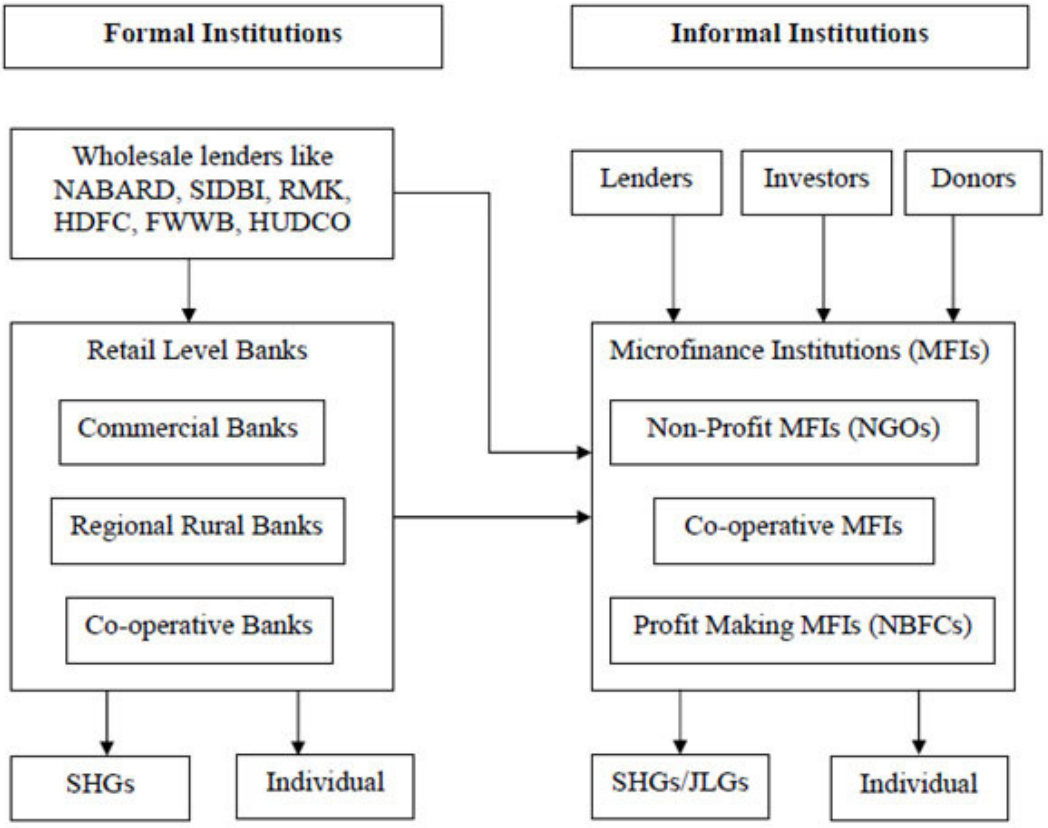
Model III - Financing takes place through NGOs and MFIs as facilitators and financing agencies.

Model IV – It is the Grameen Bank Model, similar to the model followed in Bangladesh.

In India, Model II of MF constitutes three-fourths of total Micro financing where activity/joint liability/Self-Help Groups are formed and nurtured by facilitating agencies and are linked directly with banks for the purpose of receiving credit.

2.2 Structure of Microfinance Institutions in India

In India the microfinance institutions are divided into two parts formal and informal. The Chart given below shows the institutional arrangement for microfinance disturbance in India.



Institutional Arrangement for Microfinance Disbursement in India

Problems faced by Microfinance in India

The expansion of microfinance led to an economic downswing because the microfinance market led to an increase in the share of wealthier and more risky borrowers.

- The expansion of institutions result in the disturbance of the internal structure and it becomes difficult for them to cope or balance the fast market growth.

- The major issue of these institutions is the diversification of funds, innovations in distributions and product structure and also how to use the new technologies.
- Programmes related to women empowerment at micro level do not focus on the needs of the women.
- SHG's or NGO's linked with microfinance institutions do not have a strong independent marketing network which makes it difficult for them to function and utilize resources effectively.

3. Microfinance and Women Empowerment

Women empowerment consists of women's greater access to resources and knowledge, better autonomy in decision making, freedom of women to have greater ability to plan their lives, or to have greater control over the situation that influences their lives and free from shocks imposed on them by belief, practice and custom.

The micro finance sector has been growing at a very fast pace internationally, and in India. The United Nations, by declaring the year 2005 as' Micro Credit Year', brought microfinance on the priority agenda of various government and donor agencies. It has been proved through various studies that microfinance is a good strategy for addressing poverty. Though microfinance alone may not be sufficient to remove poverty, but it is surely a step in the right direction. Microfinance, especially the SHG model, has proved useful in empowering women, in providing some security to members in time of adversity and also in improving the economic status of the poor. The main aim of microfinance is to empower women. Microfinance is the provision of financial services to low-income clients, including consumers and the self employed, who traditionally lack access to banking and related services. Financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including:

- Increasing women's income levels and control over income leading to greater levels of economic independence.

- Access to networks and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles.
- Enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare.
- More general improvements in attitudes to women's role in the household and community.

4. Microfinance in Rajasthan

The Self Help Movement started more as 'social mobilization' of women for their better place in family and society rather than a 'microfinance movement' in Rajasthan. Many voluntary organizations had been working with the poor, organizing them in 'Village Development Committees' (VDCs). But participation of women in these VDCs was sub-optimal. So they started a separate group of women 'Mahila Samooh or Mahila Mandal's as a subset of the larger village institution, purely with a purpose of having increased participation of women in development activities. Most development practitioners and policy makers realized that just participation was not enough and some direct action in terms of improving the economic status of women was also needed. The assumption was that if women have access to income/money, their status in family and society would be better. Many voluntary organizations and government (together and /or separately) started organizing women into groups to take up small business (income generation activities) collectively. Most of these activities were in the non-farm sector like sewing, Dari, galicha, candle, chalk, agarbatti, achar, badi, papad, handicrafts, etc.

5. Review of Literature

- **Sachan, Bishnoi and Tiwari (2016)** studied that women empowerment is a multi-dimensional process, which should enable women to realize their full identity and power in all spheres of life. Empowerment comes from women's groups who seek to empower themselves through greater self-reliance. It is being increasingly realized that women's income in a family is very important in relation to the nutritional, economic and educational upliftment of the family. Generally development with justice is expected to generate the forces that lead to empowerment of various sections of population in a country and to raise their status especially in case of women.

  They conclude in their paper that women constitute half of humanity, even contributing two-thirds of world's work hours earns only one-third of the total income and owns less than one-tenth of the world's resources. This shows that the economic status of women is in pathetic condition and this is more so in a country like India.

- **Vinodhini and Vaijayanthi (2016)** focused on confirming the financial and social empowerment status of women belonging to various self-help groups in the country. SHG have been successful in achieving both social and financial empowerment goals. The secondary data analysis is made and it also confirms the steady growth on the membership level as number of self-help groups in the country. The key reasons for the success of SHGs are its link with the poor people, its innovative practices, its capacity to enable people's participation in development and trust building at different levels between stake-holders. SHGs also help in the financial status of the

households. They have developed self-confidence and independence among rural women, which in turn increased the livelihood of the rural people.

- **Mathur, Bhadviya, Mathur and Pandya (2015)** studied that microfinance is small size monetary service which covers micro funds, micro indemnity and micro credit. This ground-breaking service help in women empowerment by giving assistance and finance to the women, which helps them in self-development, income cohort and in social action process that promotes involvement of women, organization and community in gaining power over their lives in their society. The construction of women self-help group and financing not only augments their socio economic situation but also increases self confidence in them. The study reveals that SHGs offers a platform to the women for their economic, social and psychological empowerment. SHG provides a platform to the rural masses not only to talk about their own difficulty but also the social issues connected to the village. SHG plays a significant role in rural empowerment. As the women grouped to become SHG members they feel strength and group cohesiveness. This study reveals that the SHG members feel that their saving behavior develops, earning level increases, toolkits and training provided to them help them to start small business and micro credit provided to them helps in fulfilling their economic needs.

- **Juja (2014)** studied that microfinance is considered to be a very influential tool for women empowerment and poverty alleviation. Self help groups are taken as the most efficient means for the development of micro finance in rural areas. Microfinance has enhanced the

economic situation of rural areas through group approaches. According to him the main purpose of microfinance is to strengthen the income level and improve the standard of living of the Poor's. In the area of sustainable development of rural women, the focus must be laid on developing the capacity of women through increasing their social power, economic power, decision making power and participation powers. This can only be achieved through the formulation of SHGs. SHG's has proved to be a strategic device for organizing rural women in groups and promoting savings and thrift habits to achieve right of entry to institutional credit for their socio economic empowerment and development. Thus the study indicates that the SHGs members have shown growing interest in pooling their amount in the form of savings which allows them to generate more fund from the SHGs, which is employed in the small enterprising activities.

- **Gupta (2014)** studied that rural rural households require financial support in the form of loans at subsidized rates, micro-insurance, suitable avenues for saving etc. Microfinance is an effectual tool of financial inclusion that assists rural development and poverty alleviation by generating new employment opportunities, promoting agriculture production, establishing small scale industries, wage labour, encouraging free enterprises, restricting migration to urban areas and self-help groups. Thus the key objective of this paper was to explore the potentiality of microfinance with a view to study the impact of microfinance in the development of the rural households and poverty alleviation.

- **Leelavathy (2014)** studied that when microfinance is extended to people, especially women, along with supporting activities like training, unrefined resources supply and marketing of goods, it makes women as micro entrepreneurs in rural areas. In addition to empowerment, it results in economic development of the family. The empowerment procedure could be split into five dimensions: social, educational, economic, political and psychological which strengthens each other. SHG is strength of support for women at the point of difficulties. It is assumed that women as a group can attain what they cannot achieve as an individual.

  The impact of SHG on women in socio-economical, education, political, and self front is affirmative. Most of the women were proficient to enhance their income level manifold and contributed to the development of their family. In the process, many of the women reported that they were participating in the financial decisions of the family, which earlier they were not permissible to do. Members articulated full satisfaction over their performance and wanted to prolong their association with the groups. Many women could successfully verify the liquor addiction of their husbands and other types of family tribulations. This is definitely due to the political and self empowerment which they achieve through different capacity building training and awareness programmes organized by the SHG.

- **Chhipa, Sharma and Dubey (2014)** observed that the formation of Self Help Groups (SHG) could be one of the major initiatives for empowerment of women. The study is based on secondary data collected from the various publications of Directorate of Economics

and Statistics and the provisional population totals Census of India, 2011 and the Census reports of 1971,1981,1991,2001, Rajasthan Microfinance Report 2011. The study has proved that the community based approach of microfinance and livelihood has high positive impact whereas the MFI model has not impacted poverty to that extent.

- **Rathinam and Akudugu (2014)** identified three significant areas of action and they are promotions of empowerment, equal economic opportunities, and secured livelihoods across regions, cultures and genders. The focus is on women because there is need of access and control over productive assets by the poor and vulnerable and it's the women who struggle against poverty. One of the tools to fight against poverty is credit delivered to SHGs. SHGs help to create opportunities for those individuals who cannot get secured financial services from credit sources and other productive sources. The SHG members build their capacities and competencies in financial literacy's and credit worthiness through saving and lending to others in need.

  It is concluded that SHGs are able to empower members, mainly rural women in India and Ghana politically, economically, and socially which help them to develop their livelihoods. Based on the findings, it is suggested that the government of India as well as their development associates should integrate formation of SHGs in their poverty alleviation gender empowerment interventions. .

- **Mathur, Jain, Saxena, Yadav (2013)** studied that microfinance has made remarkable growth in India over the years and it has become a household name in view of the multi-pronged benefits with regards to

services for poor in our country. Self Help Group-Bank Linkage Programme (SBLP) -a pilot project started by NABARD is widely accepted model in the sector of microfinance in India with an active participation of NGOs, State Development Institutions, Commercial Banks, Regional Rural Banks, District Rural Development authority's (DRDAs) and local bodies like Panchayati Raj Institutions (PRIs). The SBLP has made an adventure in the economy by transforming the formal banking services to rural poor and needy people particularly women group. Due to wide spread rural bank branch network, the SHG-Bank Linkage Programme is very suitable in the Indian context. The study was analytical and exploratory and based upon secondary data which has been collected from different published reports, journals and existing available literature. The objective of this study was to evaluate the impact of self help group bank linkage programme in Rajasthan state. The study results proved that SHG bank linkage programme has been recognized as one of the most successful and rapidly growing micro finance mode in Rajasthan state.

- **Wagh (2013)** studied the pattern of growth of microfinance in Udaipur to explore how far MFIs in Udaipur have been successful in strengthening the formal financial system in the process of nurturing rural poor. Secondary data were collected from NGO's ,SHG's and Government Organizations and other Financial Institutions as they publish statistical data in the form of handbooks on yearly basis. Microfinance is the best tool for financial inclusion and showing growth prospects in Udaipur district. Thus with development of effective strategies and with the combined effort of all players in the

society such as financers, government, banks, corporations, NGOs, Apex bodies etc, the long term goal of the government to achieve financial inclusion and poverty alleviation would be attained.

Research gap

There has been extensive research on microfinance in India. However, the present study seeks to contribute a significant insight into the contribution of microfinance in women empowerment through SHGs in the Jaipur District.

6. Objectives

The objectives of present study are as follows:

- To study the progress of microfinance in the state of Rajasthan.
- To study the programmes linking microfinance and women empowerment in Jaipur district.
- To study the role of SHGs in providing microfinance, particularly for women empowerment.
- To study the problems in the working of microfinance towards women empowerment and suggest remedial measures.

7. Methodology

The study will be based on both primary and secondary data. The primary survey will be conducted at a point in time to obtain cross section data. The study period for secondary data analysis will be from year 2010 to 2017.

Primary Data:

The primary data will be based on inputs from SHGs linked with MFIs which are currently active in Jaipur district. Stratified random sampling technique will be used to obtain a sample of 200 women working with women centric SHGs in Jaipur district. A structured questionnaire and key informant interviews will be employed to collect primary data. The list of active SHGs working towards women empowerment in Jaipur district shall be obtained from Mahila Adhikarita, Directorate of Women Empowerment and Integrated Child Development Services.

Secondary Data:

The secondary data will be based on the parameters related to microfinance, like number of MFIs, outstanding credit from MFI to clients, outstanding credits to SHGs, SHGs with bank accounts and savings of SHGs as deposits in banks. The data pertaining to these parameters will be collected from the publications of National Bank for Agriculture and Rural Development (NABARD), NITI Aayog reports, The Bharat Microfinance Reports, Centre for Microfinance Reports, Women and Child Development Reports, Rural Development Report, National Rural Livelihood Mission (NRLM) Reports. Data will be also collected from other published reports, published articles/papers and related websites.

8. TENTATIVE CHAPTER SCHEME

1. Introduction

2. Review of Literature

3. Indian Microfinance Sector: Trends and Progress

4. Role of SHGs in Women Empowerment

6. SHGs & Women Empowerment in Jaipur Districts: Empirical Findings of Primary Study

7. Conclusions and Suggestions

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